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Warsaw 2004

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Ladies and Gentlemen!

We have the pleasure to present to You the current editions of the "Reports on the Economy", which our Ministry has prepared for a number of years. Aside from the overall description of the basic events and macroeconomic trends which apply to the whole economy, the Reports offer a detailed presentation of the most important areas (industry, foreign trade, the labor market, social policy ...).

The year 2003 brought many positive changes in the economic situation of Poland. The symptoms of overcoming economic stagnation, and an increasingly pronounced revival, registered in the subsequent quarters of the previous year, have grown even stronger in the first half of this year. The financial situation of enterprises clearly improved. The signals which announce a coming revival in investment are also growing stronger. In the nearest future, we should expect even clearer signs that the positive trends influence the economy and work to improve the situation in the labor market.

The current economic revival is primarily the success of Polish entrepreneurs. It has been supported by the appropriate policy of the government, whose activities in the area of support for and promotion of entrepreneurship are very positively received by the entrepreneurs. The new law, dated 2nd July 2004, on the freedom of business activity, broadens the economic freedom, strengthens the position of the entrepreneur in contacts with the administration. As a result, it facilitates business activity.

Year 2004 is a very special period. On 1st May, Poland became a member of the European Union. This move should be seen both as a chance and a challenge. To met the expectations, it is necessary to improve the competitiveness of Polish firms, and to base the development of economy on knowledge and innovation. In order to achieve that, we must not focus only on the current issues. Our plans must cover a longer perspective. Currently the government is working on preparing the National Development Plan for the years 2007–2013. It will cover development strategies for the individual areas of the economy. Actions undertaken under these strategies are meant to assure stable development of the Polish economy; and accelerate the process of convergence with countries of the European Union.

Jerzy Hausner

Deputy Prime Minister
Minister Of Economy & Labour

Warsaw, September 2004

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INTRODUCTION

1. A revival of commodity turnover in foreign trade, which started in mid-2002, has evidently consolidated this year. A similarly high growth rate of turnover in terms of its value in USD (ca 30% in exports and over 20% in imports) has not been recorded since the middle of the past decade. Even taking into consideration the fact that such a high growth rate of turnover as expressed in USD was mainly the effect of a serious weakening of USD in relation to EUR in 2003 (by ca 20%), it may be said that their growth rate achieved in 2003, particularly on the export side, was relatively high, both as compared to recent years and to the entire period of economic transformation. An exceptionally high growth rate of the export volume, which is estimated on the level of almost 19%, at a simultaneous much lower growth rate of the import volume (estimated at almost 8%), became a very significant factor determining the growth of the GDP in 2003.

2. Despite the evident revival of commodity turnover, the tendency of gradual balancing this turnover, occurring for the last few years, was not only maintained but even strengthened. The reduction of the deficit in payment turnover in the exchange of commodities, particularly evident when expressed in EUR, with a simultaneous high growth in the volume of turnover, especially on the export side, may be viewed as a new, positive trend in the Polish foreign trade, reflecting improvement of international competitiveness of Polish economy and a gradual reduction of its so far strong dependence on imports.

3. An improvement in the commodity turnover balance, being the major item in the current accounts, was accompanied by an evident growth of proceeds in foreign currency from unregistered trade. Due to that the current accounts deficit, which in 2002 reached 6.7 billion USD, i.e. ca 3.5% of the GDP, was reduced to merely 4 billion USD, i.e. below 2% of GDP.

4. The favourable results of the trade exchange achieved in 2003, both in the official and unregistered trade, were, as it is assessed, mainly the effect of the evident trend maintaining during the entire year of the depreciation of PLN against the common European currency.

5. The relative durability of this trend, besides its relatively high rate was a strong and clear impulse for economic units to a determined pro-export reorientation, particularly under limited domestic demand. It is estimated that such a reorientation was particularly visible among the medium-sized and small units, which before, under the appreciation of PLN, operated on the brink of profitability, or were not adapted to price competition on foreign markets. Favourable conditions resulting from the rate of exchange in 2003 facilitated a large group of these entities to capture and/or expand these markets, especially the EU markets.

6. Notwithstanding the above mentioned pro-export, short-term temporary factors, the year 2003 brought about a further consolidation of fundamental determinants of export development, and in particular modernisation and improvement of competitiveness of the Polish commodity offer, as a result of foreign direct investments made (FDI) in previous years. Reorientation to exports and the related restructuring activities undertaken in 2003 enabled many enterprises to achieve a higher level of technology, organisation and effectiveness, and as a result to improve their export capacity and competitiveness.

7. The resulting relatively high level of export-oriented activity in 2003, is to a large extent irreversible and will lead to maintaining a high volume of exports, also in the nearest future, even under less favourable internal and external conditions. This allows for optimistic projections regarding performance of foreign trade in 2004.

Chapter 1.

BASIC CONDITIONS OF FOREIGN TRADE IN 2003

The volume, growth rate, structure and balance of the trade exchange in 2003 were mainly determined by a dynamic growth in exports. This growth was a very significant if not the main factor stimulating growth in production, which in turn, with quite strong import dependence of the Polish economy resulted in a considerable intensification of imports, particularly as regards intermediate imports. Therefore, among the set of conditions determining Polish foreign trade the most important were export factors, especially the following:

- *evident and persistent appreciation trend of the common European currency against USD and PLN*

  A serious weakening of USD (by over 20% in nominal terms) and PLN (by over 14%) against strong EUR – as the currency dominating on the European common market – absorbing almost 70% of Polish exports – accounted for a visible pro-export impulse (not recorded for several years) not only for the existing exporters but also for many entities which had not exported so far, particularly from the group of small and medium-sized enterprises. The possibility of obtaining a specific exchange rate rent on the level of ca 14% of proceeds from sales settled in euro, put exporters in a much more favourable financial position in relation to entities selling on the domestic market. Simultaneously, it created for them a sufficiently large profitability margin and the areas of necessary price concessions – in competition with foreign offers, particularly from West Europe. The possibility of price competition had a special significance under a limited economic growth and domestic demand on the most EU markets, and in the first place on the German market, most important for Polish exporters.

- *low inflation*

  In 2003 the prices of industrial output sold grew by 2.3% and of commodities and consumer services by only 0.8%. Owing to such a low inflation the power of the pro-export impact of a considerable PLN depreciation in nominal terms was only slightly weakened and could be of benefit to exporters almost entirely.

- *reduction of the effective unit costs in industry*

  The growth of productivity related with the drop of unit labour costs in industry (by ca 9%) allowed for a considerable widening of the competitiveness margin of Polish offers both as regards prices (due to PLN depreciation) and costs. As a result of cumulated impact of the three factors mentioned above, the average profit from export sales per unit of cost increased by ca 18%, which induced a similar growth in price competition of Polish export offers. Persistent efforts of exporters to reduce labour costs, undertaken to improve price-cost competitiveness of the offered commodities, especially on the German market, explain to a large extent the lack of an evident impact the high export growth in the last year on employment increase.

- *effects on export of foreign direct investments (FDI)*

  A considerable FDI inflow, particularly in the second half of the previous decade, has a growing influence on modernisation and increase of competitiveness of the Polish export offer. The cumulated value of FDI absorbed in Poland since the beginning of transformation approximated the amount of 73 billion USD in 2003 (according to the Polish Information and Foreign Investment Agency, PAIiIZ), of which ca 69.4 billion USD accounted for investments exceeding 1 million USD. A considerable part of this capital, i.e. over 40%, has been allocated in the manufacturing sector, which so far, has a dominating share in Polish exports. Among 30 major commodities (classified on the level of 4 digit PCN codes) accounting for nearly 46% of total exports, the majority, i.e. over 40% of total exports was manufactured as a result of foreign direct investment. Exports of these goods (motor vehicles, car parts and accessories, diesel engines, furniture, paper articles and packaging, paints and lacquer, car tyres, household equipment, clothing articles and other) increased in the year 2003 by over 7 points faster than total exports. Modernity of these commodities, higher effectiveness of their production, relatively better accessibility of external financing of production and better possibilities of promotion and access to sales markets within the sales networks of mother corporations, offered here incomparably better export perspectives than in the case of goods manufactured by companies with solely domestic capital.

  In the context of visible export effects resulting from FDI absorption, it should also be mentioned that the evident export orientation of entities with foreign capital (their share in exports reached ca 55% in 2003), is accompanied by their still higher involvement in imports (over 58% in 2002), and the resulting dominating share (nearly 70%) in the total commodity turnover deficit. This indicates that the process of transition from the stage of intensive investment and intermediate imports generated by FDI to the stage of "export harvesting" is taking place slower than it was initially expected. Moreover, the FDI absorption rate in the last few years has slowed down, which may deteriorate the export rate of growth in the oncoming years.

- *limited domestic demand*
  After a period of drop in the domestic demand in 2001 (by 1.7%) and a slight regaining of growth in 2002 (by 0.8%), the relatively modest increase, by 2.4%, in 2003, did not provide for a considerable growth of its volume. Under such conditions the domestic demand did not account for a significant alternative for exports, particularly when the PLN depreciation rate proved to be several times higher than the growth rate of domestic prices.
- *absence of economic revival on major European markets*
  Despite higher than expected economic growth in Asia and USA in 2002, and upturn in the global economic situation (growth of world production by 2.5% and trade turnover by 4.5% in 2003), a distinct slowdown in economic growth and imports still maintained in Western Europe, similarly as in Latin America. Although exports from Western Europe expressed in USD grew faster than world exports, it was solely the result of strengthening the EUR, as its volume remained on a stable level. In Germany – the most important Polish export market, instead of the expected increase, a small drop in GDP was recorded (by 0.1%), and due to the uncertain situation on the labour market also household expenditures were reduced. Under such unfavourable conditions, the high growth of Polish export to the German market, achieved simultaneously with a quite significant improvement in the turnover balance (the deficit of over 150 million USD turned into a surplus of ca 700 million USD), may be viewed to a large extent as a result of high price competitiveness of Polish commodities (possible due to PLN devaluation against EUR, together with a reduction of the effective unit labour cost).

Among major **conditions determining the growth rate and volume of imports** in 2003, the following should be mentioned:

- *foreign exchange rate shock, particularly in imports from the EU – caused by a considerable depreciation of PLN against EUR.*
  An increase in import costs affected mainly entities oriented to consumer imports settled in EUR – not balanced with exports settled in this currency. Similarly acute might be the consequences of depreciation in investment imports, which does not translate into rapid export results. Whereas, to a much smaller degree they related to bigger entities with foreign capital exporting to the EU markets within the framework of co-operation links with mother entities operating on these markets, e.g. subsidiary companies of motor vehicle concerns.
- *rise in prices of commodities, particularly raw materials, on the world market*
  A decrease in the supply of fuels, caused by the Middle East conflict, social turmoil in Venezuela and a drop in output in the USA, while the world demand increased by 2% (in China alone by 11% and in the USA by 7.5%), caused a rise in the fuels prices in USD by 16% on average. World prices of the remaining raw materials (apart from fuels) grew by 7% on average, including prices of metals – by ca 12%. Prices of fuels imported to Poland (mainly from Russia) increased in 2003 by over 20% – for oil and by 24% – for gas, thus much faster than the world average. Only due to this fact the import expenditures in 2003 increased by more than 900 million USD.
- *relatively high import flexibility in the development of Polish economy*
  A strong dependency of the growth in volume and modernity of domestic production, in particular of exports of industrial processed goods, on imports of materials and components of appropriate quality and at the same time the necessity to maintain the necessary raw materials supply, particularly of fuels, seriously limited the possibility for a major reduction of the import volume, despite evidently unfavourable rates of exchange and prices. Despite that, the impact of unfavourable rates of exchange and prices on the volume and growth rate of imports proved to be so strong, that the growth rate of the import volume in 2003 increased incomparably slower than on the export side and the volume of imports turned out to be much lower than it could have been expected on the basis of projections relating to the economic growth and domestic demand.

Chapter 2.

TRADE PERFORMANCE IN TERMS OF PAYMENTS (NATIONAL BANK OF POLAND DATA)

After a period of slowdown of growth, and even a drop (fourth quarter of 2001 – first quarter of 2002) of commodity turnover in terms of payments, since the second half of 2002, a visibly growth trend is observed in the commodity exchange. The year 2003 brought about a clear consolidation of this trend, which is depicted in the table below.

Table 1. Balance of payments of foreign trade in 2003

Quarters	Exports	Imports	Balance	Growth rate (%) exports	Growth rate (%) imports	Exports	Imports	Balance	Growth rate (%) exports	Growth rate (%) imports
	USD million			the same period prev. year = 100		EUR million			the same period prev. year = 100	
I/2002	6,884	9,512	-2,628	92,6	89,9	7,853	10,847	-2,994	97.4	94.7
II	7,970	10,206	-2,236	106.2	99.2	8,668	11,109	-2441	100.9	94.3
III	8,675	11,073	-2,398	116.3	108.6	8,816	11,259	-2,443	105.2	98.3
IV	9,416	12,506	-3,090	119.6	114.8	9,409	12,497	-3,088	107.1	102.8
2002	32,945	43,297	-10,352	108.8	103.2	34,746	45,712	-10,966	102.7	97.6
I/2003	8,970	11,343	-2,373	130.3	119.2	8,352	10,577	-2,225	106.4	97.5
II	10,162	12,456	-2,294	127.5	122.0	8,937	10,968	-2,031	103.1	98.7
III	10,617	12,962	-3,016	122.4	117.1	9,432	11,516	-2,084	107.0	102.3
IV	13,060	15,717	-2,657	138.7	125.7	10,949	13,170	-2,221	116.4	105.4
2003	42,809	52,478	-9,669	129.9	121.2	37,670	46,231	-8,561	108.4	101.1

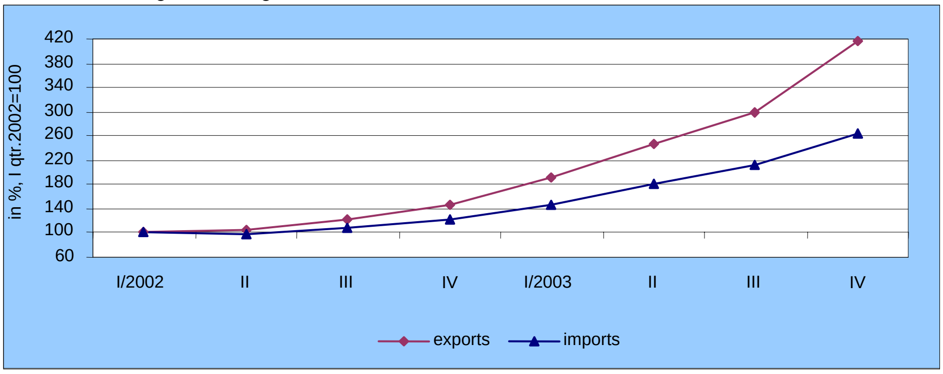
Source: Data from the National Bank of Poland.

The distinct intensification of turnover was accompanied by a further decrease in the deficit of commodity turnover, especially that expressed in EUR (by 2.4 billion EUR, as compared to the previous year). Therefore, 2003 was the fourth year in a row of the reduction of the commodity turnover deficit and an improvement of the degree of payment turnover balance, measured as the ratio of the balance to proceeds from exports (from the level – 31.4% in 2002 to – 22.6% in 2003).

A high growth rate of the turnover in USD, the fastest since 1995, particularly on the side of proceeds from exports (30%), generally maintained from the beginning till the end of 2003, although the reference level from the fourth quarter of the previous year (2002) was already at that time relatively high (3 billion USD per month).

In this situation reaching the average growth rate of proceeds from exports in the fourth quarter of 2003 on the level of almost 40% and their average monthly level in the last three months amounting to over 4.3 billion USD indicates an unprecedented acceleration in the rate of export growth[1]. A similar, in the absolute terms, although lower as regards the growth rate, increase in turnover was recorded on the side of import expenditures.

Chart 1. Changes in foreign trade turnover in 2002–2003



Source: Calculations of the Economic Analyses Department, Ministry of Economy and Labour on the basis of data of the National Bank of Poland.

The growth rate of turnover calculated in EUR was incomparably lower than that counted in USD. This results, on the one side from a relatively high level of turnover expressed in this foreign currency in the base year, i.e. 2002 – when the EUR exchange rate was lower than that of USD, and on the other side from a considerable (by ca 20%) strengthening of the common European currency in 2003.

[1] The average level of proceeds from export in the last three months of 2003 amounted to 4,353 million USD and was by almost 790 million USD higher than the monthly average for the entire year. Similarly, on the import payments side, their average monthly level in the fourth quarter of 2003 (5,239 million USD) exceeded by 810 million USD the average for the entire year.

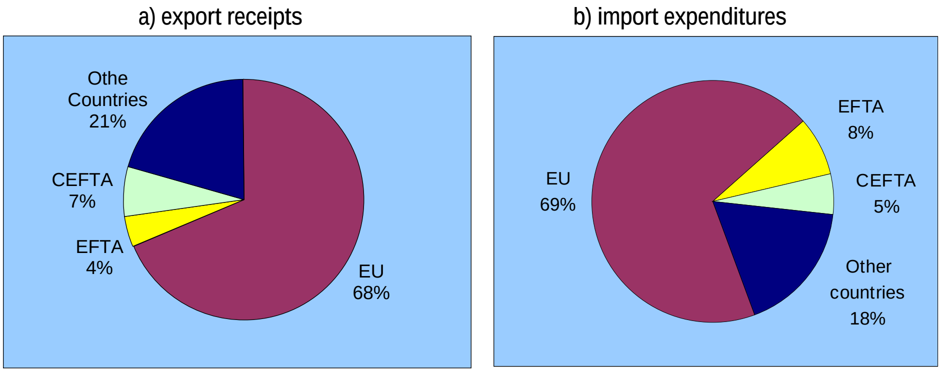
An analysis of the geographical structure of commodity turnover in USD shows a significant share of the European Union countries (mainly Germany) in foreign trade payments (almost 70% both on the side of export receipts and import expenditures). An important position is also taken by turnover with the group of other countries, including the USA.

Table 2. Commodity turnover in foreign trade in 2003

Country groups	Export receipts	Import outlays	Balance	Growth rate 2002 = 100		Structure, %	
	USD mln			exports	imports	exports	imports
POLAND	42,809	52,478	-9,669	129.9	121.2	100.0	100.0
including:							
European Union	29,300	36,307	-7,007	129.2	120.8	68.3	69.1
EFTA	1,811	4,157	-2,346	167.7	135.8	4.2	7.9
CEFTA	2,864	2,858	6	153.5	144.0	6.7	5.4
Other countries	8,941	9,256	-315	121.3	112.9	20.8	17.6

Source: National Bank of Poland data.

Chart 2. Geographical structure of foreign trade turnover in 2003



Source: National Bank of Poland data.

The streams of payment turnover due to trade transactions between the Polish bank system and foreign banks functioning on particular geographical areas differ considerably from the streams of the physical flow of commodities between Poland and particular market groupings. A particularly distinct disproportion between the volume of commodity and payment turnovers occurs in trade with Russia and the United States. A large part of payments due to the exports to

Russia, as well as due to imports from this market, passes through American banks, which results in the fact that the commodity turnover with Russia is much higher than the payment turnover with this country, while in the case of turnover with USA a reverse situation is observed.

Chapter 3.

COMMODITY TURNOVER STRUCTURE (ACCORDING TO THE CENTRAL STATISTICAL OFFICE)

3.1. High increase in turnover in USD and much lower in EUR

In 2003 the value of exports as regards commodities reached 53.6 billion USD and showed to be higher than in the previous year by as much as 12.6 billion USD, i.e. 30.6%. The growth rate of imports in that period (from the level of 55.1 billion USD in 2002 to 68 billion USD in 2002) was by 7 percentage points lower, but its growth in absolute terms was higher by over 0.3 billion USD, which lead to a rise in the turnover deficit from the level of 14.1 billion USD to 14.4 billion USD.

In the period under consideration the growth rate of turnover value calculated in EUR was definitely lower than that in USD.

The difference in the growth rate of turnover both on the side of exports and imports is mostly explained by a considerable appreciation of EUR against USD, which took place in 2002. Besides depreciation of PLN, two other factors determined, although to a small degree, this appreciation, i.e.:

- higher reference level of turnover calculated in EUR against USD – in 2002 as the base year. Exports increased from the level of nearly 43.5 billion EUR (equivalent of 41 billion USD) in 2002 to 47.5 billion EUR (equivalent of 53.6 billion USD) in 2003, i.e. by only 9.3%. The growth in imports – from 58.5 billion EUR (equivalent of 55.1 billion USD) to 60.4 billion EUR (equivalent of 68 billion USD) respectively, reached only 3.2%.
- changes in the structure of foreign currency settlements in 2003 as compared to the previous year (increase in the share of EUR and PLN, while the share of USD fell – on the side of exports and a slight drop in the share of the EUR and USD in favour of PLN – on the side of imports).

3.2. Foreign trade turnover in 2003 as compared to previous years

Total results of commodity exchange recorded in 2003, positively stand out in comparison to the results achieved in previous twelve years of economic transformation. They were determined not only by intensification of turnover, not recorded for many years, particularly as regards exports, but also a further improvement of the exchange balance.

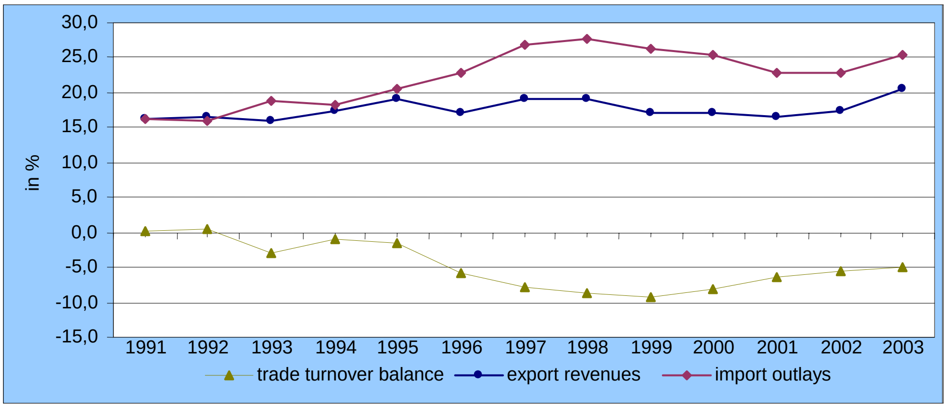
An increase in turnover during 2003 reached 25.5 billion USD, i.e. it was lower in terms of volume by only ca 3.5 billion USD as compared to the value of turnover in 1992. The value of turnover in 2003 exceeded 121 billion USD, reaching a level four times higher than that in 1991. At that time exports grew much slower than imports (respectively: 3.6 times and 4.4 times). As regards the growth rate of turnover value in USD, the year 2003 was comparable only with 1995, when a growth by over 30% both in exports and imports was recorded. In other years, the growth rate was clearly lower, especially on the side of exports. In 1992 a drop in exports was recorded – by 11.5%, and in 1999 – as a result of the Russian crisis – a slight drop in the turnover on both sides occurred.

Table 3. Foreign trade turnover in 1991–2003

Year	NBP					SAD				
	USD mln			growth rate, previous year = 100		USD mln			growth rate, previous year = 100	
	exports	imports	balance	exports	imports	exports	imports	balance	exports	imports
1991	12,760	12,709	51	117.5	146.9	14,903	15,522	-619	104.1	162.9
1992	13,997	13,485	512	109.7	106.1	13,187	15,913	-2,726	88.5	102.5
1993	13,598	16,080	-2,482	97.1	119.2	14,143	18,834	-4,691	107.2	118.4
1994	17,024	17,919	-895	125.2	111.4	17,240	21,596	-4,356	121.9	114.7
1995	22,878	24,790	-1,912	135.0	138.3	22,895	29,050	-6,155	132.8	134.5
1996	24,453	32,632	-8,179	106.8	131.6	24,440	37,137	-12,697	106.7	127.8
1997	27,229	38,549	-11,320	111.3	118.1	25,751	42,307	-16,556	105.4	113.9
1998	30,122	43,842	-13,720	110.6	113.7	28,229	47,054	-18,825	109.6	111.2
1999	26,347	40,727	-14,380	87.5	92.9	27,407	45,911	-18,504	97.1	97.6
2000	28,256	41,424	-13,168	107.2	101.7	31,651	48,940	-17,289	115.5	106.6
2001	30,275	41,950	-11,675	107.1	101.3	36,092	50,275	-14,183	114.0	102.7
2002	32,945	43,297	-10,352	108.8	103.2	41,010	55,113	-14,103	113.6	109.6
2003	42,916	52,577	-9,661	130.3	121.4	53,577	68,004	-14,427	130.6	123.4

Source: National Bank of Poland and Central Statistical Office data.

Chart 3. Share of foreign trade turnover in the GDP in 1991–2003



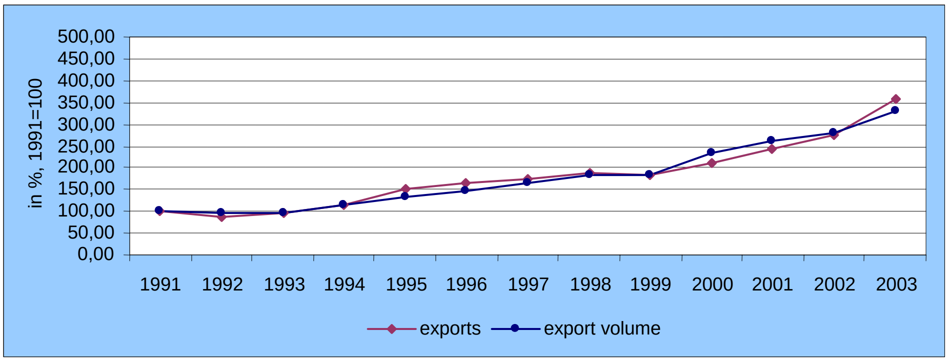
Source: Calculations of the Economic Analyses Department, Ministry of Economy and Labour on the basis of the National Bank of Poland data.

3.2.1. Accelerated growth of export volume

In 1992–2002 exports calculated in USD grew on average by 10.2%, i.e. three times slower than in 2003 (increase by over 30%). Whereas, the average growth of its volume during these years (growth rate – 10.1%, i.e. slightly lower than the value in USD) proved to be nearly twice as slower as in 2003. This could point to the fact that in comparison to the situation in 1992–2002, the growth rate of the export volume in 2003 was relatively lower than when calculated in foreign currency. However, after taking into account the serious weakening of USD in 2003 against EUR and most of the other foreign currencies significant for Polish exports, and also against PLN (estimated at an average of ca 14%), the increase in the real USD value of exports should be estimated on a level over two times lower than in nominal terms, i.e. at ca 15%. Therefore, the growth rate of exports in its effective USD value in 2003 should be evaluated as lower by ca 4 percentage points than the growth rate of export volume. This would indicate quite a considerable deterioration of the relation between an increase in proceeds from export foreign exchange and an increase in its volume in 2003 as compared to the similar average relation in the period 1992–2002.

However, despite the above, the fact alone of doubling the average growth rate of export volume in 2003 as compared to the average growth rate in the previous eleven years may indicate a high export potential of Polish economy and possibilities of its rapid activation when foreign exchange rates are favourable.

Chart 4. Changes in the value and volume of exports in 1992–2003



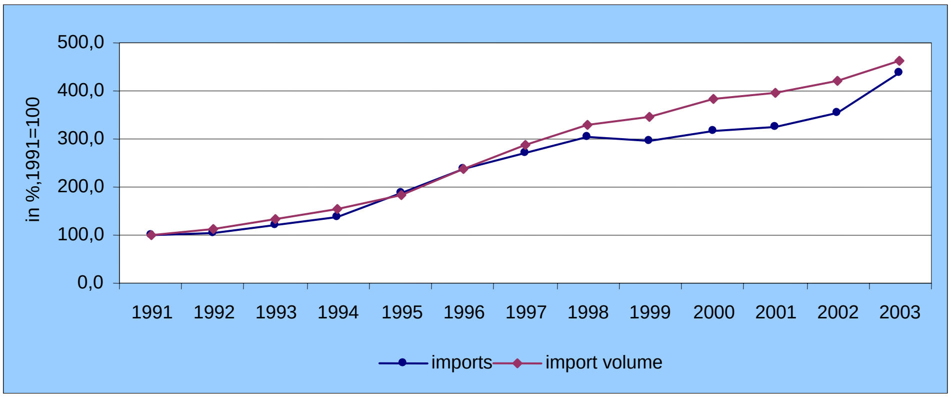
Source: Calculations of the Economic Analyses Department, Ministry of Economy and Labour on the basis of Central Statistical Office data.

3.2.2. Moderate import volume growth

Imports calculated in USD in the period 1992–2002 increased on average by 12.7% annually. Whereas, the growth rate of their volume was by 1.5 percentage point higher, which may be viewed as a positive phenomenon, both as regards the costs of reconstruction of the economy and the costs of supplying the domestic market, and the level of inflation. However, in 2003 this relation was unfavourably reversed. Although it was not as dramatic as would appear from a simple comparison of the value of imports in USD, in nominal terms, with the growth rate of its volume (ca 8.2%), the fact alone, of reversing the previous proportion, requires mentioning. Taking into account that the effective value of USD in relation to the basket of foreign currencies, which are valid for the settlements of Polish imports (including the Polish currency, while considering the currency structure of imports formed in the previous year) decreased in 2003 on the side of imports by ca 11%, it is estimated that the growth rate of the effective USD value of imports amounted to ca 11.2%. However, despite such an improvement, it turned out to be higher by over 2 percentage points than the growth rate of the import volume in 2003, which denotes a quite clear growth of foreign exchange expenditures per unit of import volume, meaning more expensive import.

Such a situation naturally imposed rationalisation of import purchases. This mainly related to purchases on Western European markets, settled in EUR and other relatively strong foreign currencies. Whereas, the range of limitation of the import volume settled in USD, inter alia of oil and gas, was incomparably smaller, partly due to lower transaction prices and partly due to the inability to reduce the import demand, particularly in the case of raw materials.

Chart 5. Changes in the value and volume of imports in 1992–2003

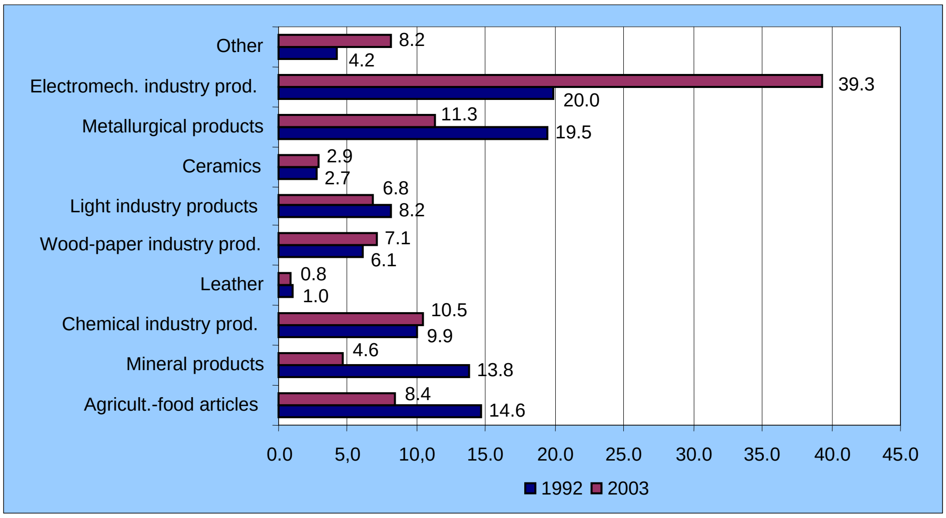


Source: Calculations of the Economic Analyses Department, Ministry of Economy and Labour on the basis of Central Statistical Office data.

3.2.3. Long-term changes in export structure

Besides a considerable growth of the volume of turnover, the year 2003 brought about a simultaneous, further improvement of the quality of Polish exports, expressed as increased modernity of the commodity offer and improvement of competitiveness. The share of highly processed goods and thus relatively the least sensitive to a drop in the market demand (mainly electromechanical goods and transportation means – in sections XVI–XVIII) exceeded 47% and was almost twice as high as in 1992. At the same time, the share of raw materials and relatively low processed metallurgical semi-products (sections V and XV) declined from over 33% in 1992 to 16% in 2003. These favourable tendencies reflect progress in restructuring of the economy realised with a considerable involvement of foreign capital.

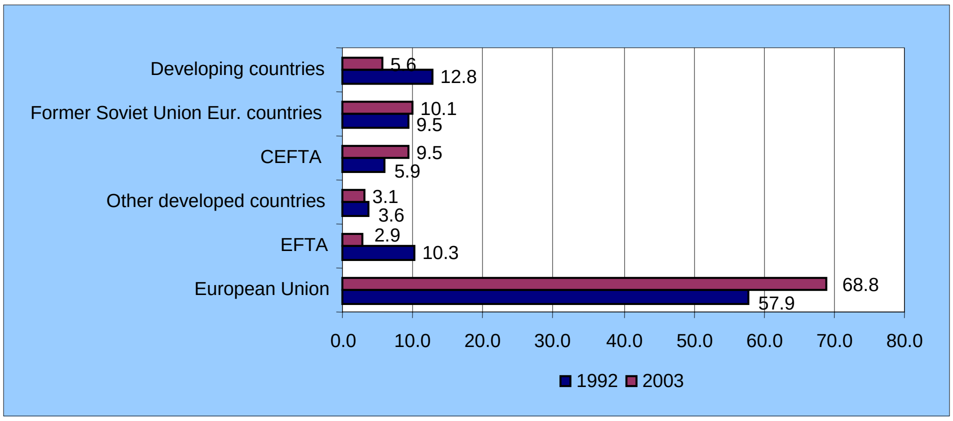
Chart 6. Changes in the commodity structure of exports in 1992–2003 (%)



Source: Central Statistical Office data.

Modernisation and improvement of competitiveness of the Polish export offer finds its real confirmation in changes in the geographical structure (see: table 7). The share of highly developed markets (i.e. imposing relatively high quality requirements) in Polish exports increased in the past years by ca 5 percentage points to the level of almost 75% in 2003, including the share of EU markets – by 11 points to the level of nearly 69%. During the last two years no growth in the share of EU was recorded in Polish exports, but the fact alone of stabilising this share while the volume of exports showed a dynamic increase in that period, particularly in the year 2003, should be viewed as a major success.

Chart 7. Changes in the geographical structure of exports in 1992–2003 (%)



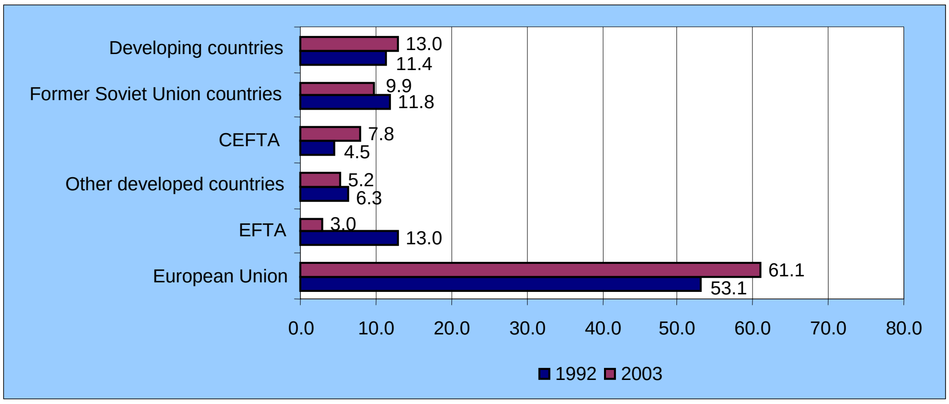
Source: Central Statistical Office data.

3.2.4. Long-term changes in import structure

The over 3.6 times growth in import volume in the twelve previous years was accompanied by major changes in its geographical and commodity structure.

Although the share of highly developed markets decreased in that period by over 3 points to 69.3%, at the same time the share of the EU markets clearly increased (from 53.1% in 1992 to 61.1% in 2003). The reorientation towards the EU markets caused a decline in the share of former Soviet Union markets in total imports from 11.8% in 1992 to 10.3% in 2003. The share of Russia in total imports also decreased, although to a smaller degree (from 8.5% to 7.7%), despite growing imports of oil and gas from this market.

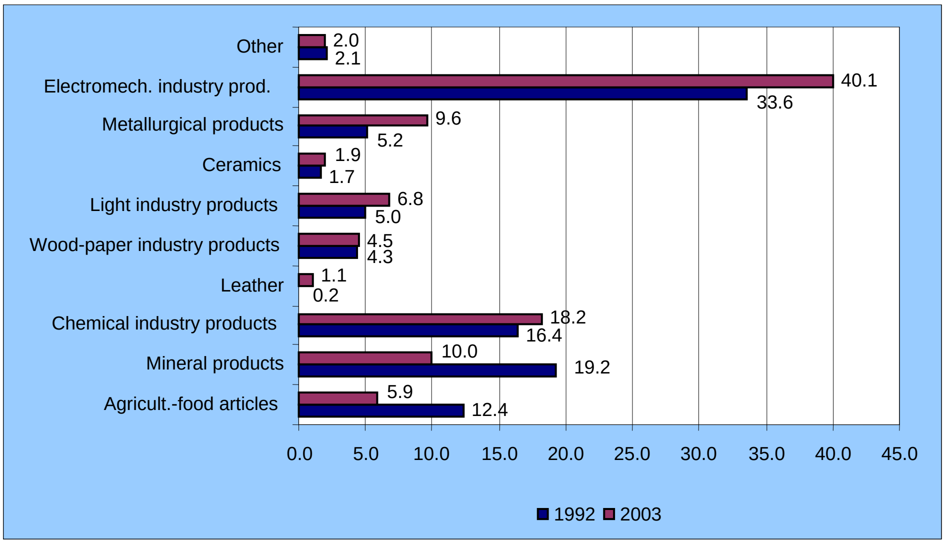
Chart 8. Changes in the geographical structure of imports in 1992–2003 (%)



Source: Central Statistical Office data.

Much more serious changes took place at that time in the commodity structure of imports. The share of agricultural and food articles decreased over two times (from 12.4% to 5.9%). At a similar rate (from 19.2% to 10%) the share of mineral products declined. Simultaneously, the share of imported goods and semi-products of the mechanical industry considerably increased (from 33.6% in 1992 to 40% in 2003), which was expressed in an over 5 times growth in the volume of this import. The share of metallurgical products in total imports grew even faster, which was the result of an almost 8 times growth in the volume of this import (from 800 million USD in 1992 to 6.5 billion USD in 2003). This may point to a serious lack of adjustment of the production structure of the metallurgical sector to the demand of the market.

Chart 9. Changes in the commodity structure of imports in 1992–2003



Source: Central Statistical Office data.

3.2.5. Further improvement of the trade turnover balance

As mentioned above, despite a slowdown in the growth rate of imports, its increase in absolute terms proved to be higher in the analysed period than on the side of exports.

The resulting growth of the deficit (by 324 million USD) was the effect of a mutual compensation: on one side of favourable results in the trade with the EU – 25 and on the other side – deterioration of turnover balance with the remaining markets, particularly with the developing countries markets. While in the turnover with the first group of markets an improvement in the trade balance was recorded – by almost 1.2 billion USD, in trade with other markets the deficit grew by over 1.5 billion USD, including the group of developing countries – by 3.1 million USD and with Russia – by 630 million USD.

A considerable improvement in the exchange balance with the present and future EU-25 markets was determined by the exceptionally favourable results of trade with Germany, where the deficit of 154 million USD recorded in the previous year was turned into a considerable surplus amounting to 0.7 billion USD. This result deserves attention even more, as it was achieved despite unfavourable economic situation on the German market.

A revival of trade turnover recorded in 2003 was accompanied, especially on the export side, by improvement in their balance, conventionally expressed here as the relation between the balance of exchange and the export volume. The average indicator of the Polish trade turnover balancing[2] (in USD), although still highly negative, increased from the level of – 0.34 in 2002 to – 0.28 in 2003.

Table 4. Indicator of foreign trade turnover balancing

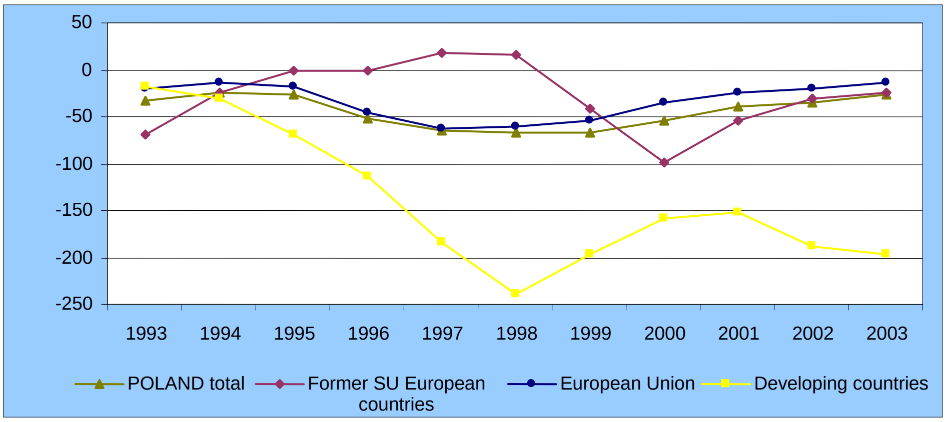
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
POLAND total	-33.2	-25.3	-26.9	-51.9	-64.3	-66.7	-67.5	-54.6	-39.3	-34.4	-26.9
European Union	-20.5	-14.8	-17.1	-46.6	-63.4	-61.0	-54.3	-35.3	-23.5	-20.6	-12.8
EFTA	-89.6	-73.2	-150.9	-75.6	-164.0	-124.6	-104.3	-79.0	-32.2	-32.6	-29.4
Other developing countries	-160.3	-75.6	-141.0	-229.6	-252.9	-66.6	-113.6	-212.7	-190.3	-157.8	-111.5
CEFTA	0.9	-11.6	-46.2	-43.5	-52.6	-44.0	-37.2	-30.0	-18.9	-10.9	-3.4
Former Soviet Union Eur. countries	-68.6	-25.5	-2.1	-1.7	17.9	15.9	-42.4	-99.1	-54.8	-30.9	-25.1
of which											
Baltic Sea countries	-59.2	44.9	63.7	59.6	69.2	72.9	65.8	59.7	67.8	80.0	77.9
Developing countries	-17.5	-31.2	-70.0	-112.9	-185.0	-238.7	-197.7	-158.1	-151.4	-187.9	-196.4

Source: Calculations of the Economic Analyses Department on the basis of information from Foreign Trade Data Centre.

Improvement of this indicator is a continuation of the trend initiated four years ago, and its present level is almost 2.5 times better than in 1999 (–0.68). Such a big progress is mainly the effect of a systematic improvement of the trade balance with European Union markets. Whereas, in 1998 the turnover deficit reached 61% of exports to these markets (indicator – 0.61%), then in 2002 this relation did not exceed 21% (–0.21), and in the present year 13% (–0.13). A spectacular example of this positive trend is trade with Germany where the deficit of over 2.2 billion USD – recorded in 1998 turned into a surplus of nearly 0.7 billion USD in 2003, and the balance indicator grew from – 0.20 to + 0.04 respectively.

2 The indicator of trade turnover balancing is counted here as the relation of the turnover balance to the value of exports.

Chart 10. Changes in indicator by groups of countries Polish trade turnover balancing



Source: Calculations of the Economic Analyses Department, Ministry of Economy and Labour.

A totally different situation occurs in trade with markets of the Commonwealth of Independent States. The trade balance indicator, which had a positive value in 1998 (+ 0.04) deteriorated in the next years, to the level of – 0.80 in 2002 and – 0.76 in 2003. This negative trend is mitigated in this case by a dominating position of these markets in Polish imports of basic raw materials, particularly fuels. This mainly refers to Russia – the major supplier of oil and gas.

The definitely worst situation as regards balancing of trade has been noted for many years in trade with developing countries, where the level of deficit is almost traditionally about twice as high as export. The trade balance indicator slightly improved here in the last few years (from the level of – 2.35 in 1998 to – 1.85 in 2002), but in 2003 it declined once more to – 1.96. This relation is the most unfavourable in comparison to any other group of markets. A distinct illustration of this situation is the trade with China, where the deficit in the year 2003 (over 2.6 billion USD), similarly as in the previous years exceeded the Polish exports to this market by over 10 times. The main reasons for this situation are on the one side in the incomparably higher cost competitiveness (low labour costs) and price competition (large devaluation of national currencies as a result of the Asian crisis) of goods from those regions in comparison to the Polish commodities, and on the other side in the underdeveloped and lack of adjustment of the promotion system and financial support of Polish exports to the demands of these markets.

The overall improvement of the turnover balancing in 2003 was achieved at a quite differentiated situation in particular commodity groups.

Table 5. Indicator of foreign trade turnover balancing

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Poland, total	-33,2	-25,3	-26,9	-52,0	-64,3	-66,7	-67,5	-54,6	-39,3	-34,4	-26,9
agricult. and food articles	-37.0	-15.7	-19.0	-44.7	-14.2	-23.8	-26.5	-20.1	-12.4	-8.8	11.2
mineral products	-58.3	-37.1	-40.2	-95.3	-117.1	-103.1	-141.8	-230.7	-155.2	-150.2	-176.5
chemical industry products	-160.6	-163.0	-127.6	-148.0	-161.5	-190.6	-215.4	-168.5	-155.0	-141.5	-120.4
leather	-1.5	-29.3	-36.1	-69.0	-66.8	-48.7	-51.1	-69.1	-66.1	-73.7	-60.8
wood and paper products	-4.4	6.4	-0.6	-20.7	-16.9	-16.0	-10.9	-0.8	5.2	11.1	20.7
light industry products	7.8	3.6	3.7	-2.7	-10.6	-13.7	-11.7	-13.0	-17.3	-26.5	-26.2
ceramics	14.0	20.9	-1.9	-14.4	-28.6	-24.3	-24.0	-15.0	-0.6	6.6	18.5
metallurgical products	55.8	53.1	42.8	26.1	20.9	-3.0	-7.8	-0.9	-1.6	-2.7	-2.1
electromech. industry prod.	-100.3	-89.4	-86.2	-121.2	-181.8	-128.7	-118.9	-73.1	-45.7	-38.1	-29.7
other products	48.6	61.9	65.2	63.9	62.1	55.0	55.8	60.4	64.5	67.8	69.8

Source: Calculations of the Economic Analyses Department, Ministry of Economy and Labour, on the basis of information from the Foreign Trade Data Centre.

Clearly beneficial changes took place in 2003 in the following groups:

- agricultural and food articles (sections I–IV), where as a result of export growth by over 1.2 billion USD, with a relatively slow import growth, the deficit of 290 million USD in 2003 turned into a surplus of over 506 million USD, and the trade balancing indicator improved from the level of – 0.09 to + 0.11;
- other products (section XX), mainly furniture, where a further dynamic growth of exports (by over 1 billion USD in 2003), with an incomparably lower increase in imports resulted in a growth in the traditionally maintained surplus in this commodity group – by over 800 million USD (to the level of over 3.1 billion USD) and consolidated the trade balancing indicator on an exceptionally high level (+0.70);
- wood and paper articles (sections IX and X), where a growth of exports amounting to 961 million USD with a growth of imports nearly half smaller, brought about an improvement in the positive balance by 474 million USD and improvement of the balancing indicator – from + 0.12 to + 0.21.

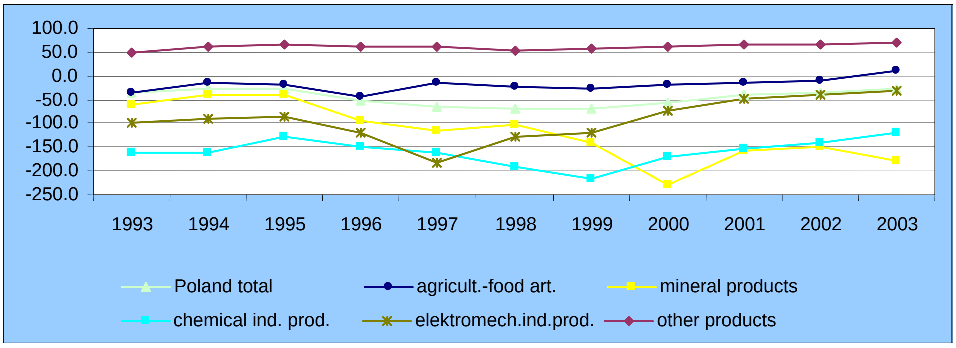
Simultaneously the balance of commodity exchange deteriorated in the following groups:

- **mineral products** (section V), where with a relatively slight growth of exports, mainly coal and semi-products (by almost 260 million USD), a considerable increase in imports was recorded, mainly oil and gas (by nearly 1.3 billion USD), which resulted in a further deterioration of the already very unfavourable balancing indicator from the level of – 1.50 to – 1.76;
- **chemical industry products** (sections VI and VII), where the traditionally high deficit (5.8 billion USD in 2002) deteriorated further by over 900 million USD in 2003, and its level (6.8 billion USD) is by 1/5 higher than that of exports in this group (indicator – 1.20);
- **metallurgical products** (section XV), where due to accelerated growth of imports as compared to exports, a small turnover deficit in 2002 grew by ca 320 million USD in 2003.

Considering the above mentioned changes, the situation in the most important commodity group in Polish trade – **the electromechanical products group** (sections XVI, XVII and XVIII) can be seen as fairly neutral from the perspective of total trade balance. Although the growth of deficit was quite high in absolute terms (by 223 million USD), its growth rate was lower than that of exports and as a result the trade turnover balancing indicator in this group improved (from – 0.38 to – 0.30).

DELTA

Chart 11. Changes in trade turnover balancing indicator by commodity groups in 1993–2003 (%)



Source: Central Statistical Office data, own calculations.

3.3. Changes in structure of foreign trade turnover in 2003 as compared to 2002

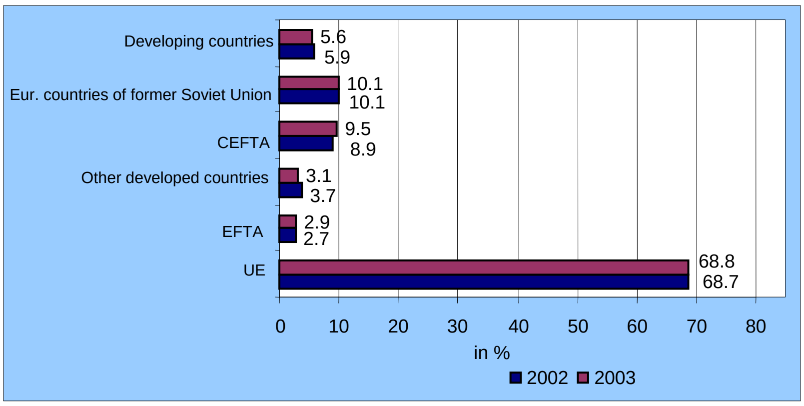
In 2003 the long-lasting reorientation of trade to highly developed markets consolidated, especially to the EU markets and markets of the EU accession countries, which resulted in further, mainly desirable changes in the commodity structure of turnover, particularly on the side of exports.

3.3.1. Changes in structure of foreign trade turnover in a geographical breakdown

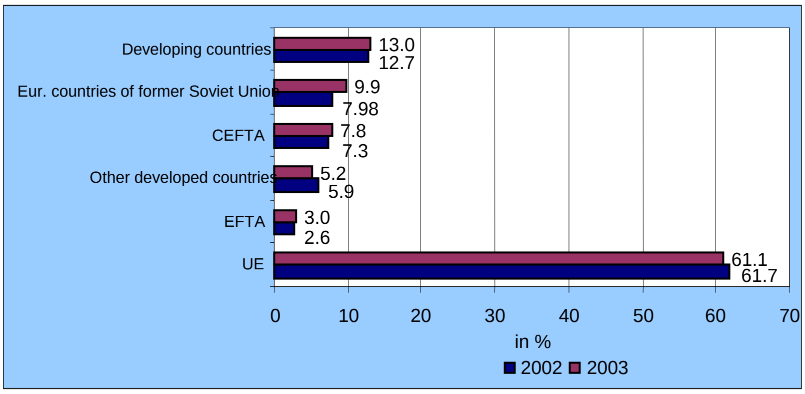
In 2003, as compared to the previous year, no major changes were recorded in the structure of trade turnover. However, they were in line with general long-lasting trends, of which the major ones are: growing importance of the EU markets, CEFTA markets (also the EU markets soon) in Polish exports (growth from 77.6% to 78.3%), while the share of the so called developing countries in exports is declining (from 5.9% to 5.6%), and their share in imports is rising (from 12.6% to 13%). Moreover, it should be noted that the share of the CIS markets in exports dropped (from 7.2% to 7.0%) while their share in imports grew (from 9.6% to 9.7%). The drop in the share of these markets in exports was mainly determined by the slowdown in the growth rate of exports to Russia (increase by only 13.6%, i.e. by 20 points slower than the average growth rate in exports).

Chart 12. Geographical structure of Polish foreign trade turnover in 2003

a) exports



b) imports



Source: Foreign Trade Data Centre.

3.3.2. Changes in commodity structure

Among generally slight changes in the commodity structure, the following are of positive nature:

- increase in the share of exports of agricultural and food articles (from 8.0% to 8.4%) while the share of their imports decreased (from 6.5% to 5.9%). This change may point to Poland's high potential in exports of agricultural and food articles.
- increase in the share of electromechanical products (from 38.6% to 39.3%) reflecting the general tendency to modernize the commodity offer in Polish exports, and the simultaneous growth of their share in total imports (from 39.7% to 40.1%) – confirming to a large degree the maintenance of a high import flexibility of exports in this commodity group.

At the same time some unfavourable changes took place in several other groups, i.e.:

- metallurgical industry products, where a drop of the share in exports decreased from 11.4% to 11.3%, while the share in imports considerably increased (from 8.5% to 9.6%), which may be attributed to inability of the branch reconstruction process to keep up with changes in the structure of the market demand;
- light industry products, mainly textiles and clothes, where the share in turnover decreased, both as regards exports (from 7.8% to 6.8%) and imports

(from 7.5% to 6.9%). This phenomenon may be related with the more and more evident decline of competitiveness of Polish products in favour of manufacturers from other countries (e.g. Ukraine and former Yugoslavia) in the field of refinement processing, particularly in the apparel industry,

- a drop in the share of minerals, mainly coal and coal products, in exports (from 5.4% to 4.6%), while their share in imports remained stable (10.1%) may be recognised as a natural consequence of present trends dominating of the world fuel market expressed as a drop in the demand and prices for coal in favour of liquid and gaseous fuels.

3.3.3. Major changes in the volume of turnover (in absolute terms)

a) changes in the geographical structure

Of the total sum accounting for export increase in 2003 (by 12.6 billion USD) more than a half was shared between five EU member states i.e.:

- Germany (increase by over 4 billion USD, i.e. by 30.4%);
- Italy (increase by 820 million USD, i.e. by 36.4%);
- France (increase by nearly 800 million USD, i.e. by 32.1%);
- Sweden (increase by over 600 million USD, i.e. by 45.5%) and
- Great Britain (by 570 million USD, i.e. by 26.9%).

Considerable increases were also recorded in exports to the markets of the following eight countries (mostly the EU ones):

- The Netherlands (over 560 million USD, i.e. by 30.7%);
- The Czech Republic (by over 530 million USD, i.e. by 32.4%);
- Spain (by 411 million USD, i.e. by 56.8%);
- Norway (by 400 million USD, i.e. by 55%);
- Belgium (by 400 million USD, i.e. by 30.1%);
- Lithuania (by almost 400 million USD, i.e. by 42.2%);
- Ukraine (by 380 million USD, i.e. by 32.3%) and
- Hungary (by 370 million USD, i.e. by 39.6%).

In this context it should be noted that the growth rate of exports to the Russian market, important for Poland, clearly slowed down (an increase by 180 million USD, i.e. by 13.6%, indicating an over twice slower rate than in total exports). In a short-termi perspective, this situation may be explained by the weakening of USD, being the main foreign currency in settlements with this market. However, in a longer run, i.e. during the past four years, the growth rate in exports to Russia is far from expectations and supply potential of the Polish side. The present volume of exports (1.5 billion USD in 2003) is still incomparably smaller than that recorded before the Russian crisis, i.e. almost 2.1 billion USD in 1997. It should be noted, that during the last few years the conditions for Polish exports to that market have become much worse (not only as a result of a crisis, but also acute competition from Western exporters and other reasons, which do not fall in the scope of the economy), and that there are poor chances for restoring the original volume of Polish exports to Russia in 2005 (i.e. within 5 years after the crisis).

A decline in exports was recorded in the case of few, less important markets, including Brazil, Egypt, Taiwan, Israel, Morocco and Australia.

Of the total sum accounting for *imports* increase in 2003 (by 12.9 billion USD) more than a half was shared between five countries, i.e.:

- Germany (by 3.2 billion USD, i.e. by 23.7%);
- Italy (by 1.2 billion USD, i.e. by 25.5%);
- France (by nearly 1 billion USD, i.e. by 25.1%);
- Russia (by over 800 million USD, i.e. by 18.6%) and
- China (by over 800 million USD, i.e. by 39.1%).

Considerable growth in imports was also recorded in the turnover with such countries as:

- The Czech Republic (by 544 million USD, i.e. by 30.4%);
- Great Britain (by almost 400 million USD, i.e. by 18.2%);
- The Netherlands (by 370 million USD, i.e. by 19%), and also
- Hungary (by 290 million USD, i.e. by 31.2%).

In 2003, similarly as in the previous year, a favourable trend (occurring in 1999–2001) of reducing the deficit with developing countries was arrested. As a result of higher growth rate of imports as compared to exports to those markets, imports increased by nearly 1.98 billion USD in 2003, and the deficit grew by

1.3 billion USD to the level of 5.8 billion USD (by 1.1 billion USD higher than with the EU-15 countries). This situation reflects structural difficulties in trade with the majority of Asian markets, especially with China. A growth in imports from Russia, with which a considerable negative turnover balance is recorded, was mainly connected with a high rise in prices of oil and gas on the world fuel markets.

A slight drop in imports in trade with the United States was noted and also with countries having a small share in Polish imports, among others: Moldavia, Bosnia and Herzegovina, Macedonia, Tanzania and others.

b) Changes in the volume of trade as per the commodity structure

Of the overall sum of the increase in total exports in 2003 (by over 12.6 billion USD) more than 6.7 billion USD, i.e. more than a half, was achieved in the 30 biggest (4-digit) commodity items. Their share in total exports was by 8 percentage points smaller (and amounted to 45.6%), which means that they accounted not only for the key part of Polish exports, but also for the part showing the fastest growth rate. Simultaneously, the incomparably low share of this commodity group in total imports (merely 20%) points to a relatively low import flexibility of exports in this group.

However, it should be noted that in a number of items in this group, which are leaders in terms of value of exports and the scale of its increase, a high import growth took place. This particularly refers to passenger cars (code 8703 – imported for consumer purposes) and automobile parts and accessories (code: 8708 – intended for intermediate consumption), imports of which in 2003 increased from 3.6 billion USD to nearly 5 billion USD, i.e. much faster than total imports.

An exceptionally high growth of exports of ships (code 8901) from the level of 1.1 billion USD to almost 2.2 billion USD in 2003 should be viewed in the context of a considerable and increasing for several years share of repair services in the exports of ships. It means that the value of exports indicated here in the statistics consists in a great part of the value of ships intended for repairs, classified as imports – similarly as in other cases of the refinement processing. Moreover, it should be taken into account, that due to a relatively long-lasting repair cycle the value of a ship delivered for repair in the previous period – given in import statistics for that very period, is not included in the exports value until the following year, when the repair process is completed. In this case, imports in the previous period (by the value of the ship before the repair) and exports in the reporting year are higher due to statistical reasons. Such a situation took place in 2002––2003. According to the statistics, a relatively high imports of ships in 2002 amounting to nearly 1.3 billion USD (by almost 200 million USD exceeding exports for that period) was to a large degree transferred – after repairs – to a relatively high export value quoted for 2003. The purely formal comparison of the level of turnover on the side of exports and imports in this case, might lead to excessively optimistic evaluation of the situation in export of ship in 2003.

Among the 30 dominating 4 – digit commodity items in *imports* – accounting for 40.2% of total imports in the analysed period – the leading positions (with import value of over 1 billion USD each), were taken by:

- liquid and gaseous fuels (oil of the value of 3.4 billion USD and gas worth 1.7 billion USD);
- passenger cars (worth 3.4 billion USD), car parts and accessories (of the value of 1.6 billion USD);
- pharmaceuticals with the value of 2 billion USD.

The commodities mentioned above accounted for 18% of total imports, and their dollar value increased in the period under consideration by 44%, i.e. by over 20 percentage points faster than total imports.

Among the listed leading positions also ships should be mentioned as customs statistics indicate that their imports reached 1.6 billion USD. As mentioned earlier, this unnaturally high, as for Polish conditions, value of imports in this commodity position was mainly determined by the value of ships assigned by foreign shipowners for repair in Polish shipyards. Those ships are still owned by foreign contractors and therefore they do not account for imports as such.

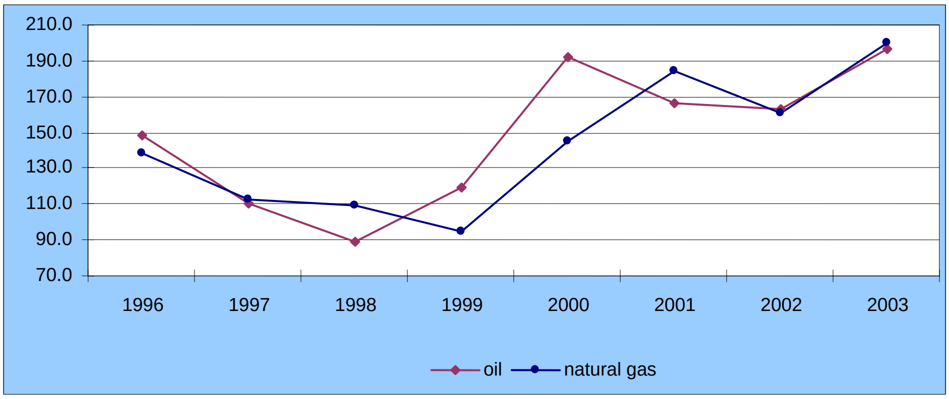
Chapter 4.

STRUCTURE OF IMPORT DISTRIBUTION IN 1999–2003

The substantial deficit of trade exchange occurring almost from the beginning of the transformation process is mostly a result of strong dependency of the Polish economy on imports. An intensified reconstruction and modernisation of the economy as a condition for competitiveness improvement requires a possibly dynamic growth of those streams of imports, which directly influence the growth of output. Therefore, among the three major streams of import – included in BEC (Basic Economic Categories) the following deserve particular attention: investment goods and intermediate goods. It is generally estimated in the present long-term development conditions of the Polish economy, that the growth rate of these two streams should outpace the growth rate of total imports and thus the growth rate of consumer imports.

The evaluation covers the period of the last five years – regarded to be sufficiently representative. The beginning of the period, i.e. the year 1999 – viewed as the year when the turnover of commodities recorded a breakdown due to the Russian crisis, commenced also the period of a slowdown of the economic growth in Poland, which lasted until 2002. In 1999 also the start of a general trend of fuel prices increase was recorded.

Chart 13. Average prices of oil and natural gas in 1996–2003 (USD)



Source: Calculations of the Economic Analyses Department, Ministry of Economy and Labour, on the basis of data from the Foreign Trade Data Centre.

The value of total imports in USD in that period increased from 45.9 billion USD in 1999 to 68 billion USD in 2003, i.e. by over 48%. The average annual growth rate in the previous three years amounted to 6.3%, of which intermediate imports accounted for only 3.4%, investment imports 15.7%, and consumer imports 8.4%. The growth rate of imports in 2003 (USD, in nominal terms) was, therefore, 3.7 times faster than the average for the 3 previous years. The undoubtedly fastest acceleration of the growth rate took place in intermediate imports (indirect tear and wear according to BEC), which accounts for the dominating stream of imports. Its growth rate in 2003 amounted to 26% and proved to be 7.5 times higher than the average for the previous 3 years. An increase in investment imports (by 20.7%) was higher by only 5 percentage points and that of consumer imports (by 18.7%) – by more than 10 percentage points higher than the respective average for the previous 3 years. However, taking into consideration affective drop in the value of imports in USD (estimated by taking into account the foreign currency structure of imports in 2003) by ca 11%, the above indicators of the increase of the import value in USD in 2003 ought to be amended respectively.

Due to a considerable differentiation of geographical orientation and the related changes in foreign currency structure of imports, it has been assumed, that the correction in minus of the nominal value in USD ought to be relatively the biggest (by ca 15%) in investment imports – realised in a dominating part with the EU and other highly developed markets and settled in a strong currency; slightly smaller (by ca 13%) in consumer imports and relatively the smallest (by ca 9%) in intermediate imports – covering a substantial part of raw materials' imports from the CIS markets, settled in USD.

After taking into account the above corrections, the volume of total imports expressed in USD in 2003 should be reduced by ca 6.7 billion USD, whereas its growth rate – should be respectively reduced by more than 12 percentage points to the level of ca 11.2%.

Whereas, the effective growth of each of the three import streams in 2003, as expressed in USD, would amount to:

- regarding investment imports – only 5%, i.e. more than 3 times slower than the average rate of its growth in the previous 3 years and in 2002;

- regarding intermediate imports – ca 15.5%, i.e. 4.5 times faster than the average for the previous 3 years and over twice as fast as in 2002;
- in consumer imports – ca 5%, i.e. by almost 3.5 points slower than the average for the previous 3 years and over 2.5 times slower than in 2002.

The estimated nominal and effective values in UD of the three main streams of import in 2003 as compared to four previous years are presented in Table 6.

These estimations indicate that the actual acceleration of the growth rate of imports in 2003 occurred only in its major stream, i.e. in intermediate imports. Although the very clear acceleration of the growth rate of this import stream was to a certain degree determined by a rise in prices of oil and gas in 2003 (by ca 900 million USD), then even after taking into account this factor and correcting the growth indicator to ca 13%, it still may be said that, *intermediate imports clearly intensified*, as compared to the period of the previous three years.

This phenomenon may be connected with a considerable improvement of the growth rate of industrial output, in particular of production for export , and a large dependency of this production on import.

Whereas, a disturbing phenomenon is a *slowdown of the growth rate of investment imports*, which is directly related both with a downward trend, lasting for three years, of gross fixed capital formation (drop by nearly 9% in 2001, by further 6% in 2002 and 1% in 2003) and a considerable reduction of foreign direct investment (FDI) inflow to Poland in recent years (from over 10.5 billion USD in 2000 to 6 billion USD in 2002 and ca 6.4 billion USD in 2003). This trend may deteriorate the pace of modernisation of Polish economy and reduce its chances for continuing the dynamic growth of exports in the oncoming years.

During the last five years the share of investment imports – as the most pro-development in total imports – increased from 15.2% in 1999 to 18.8% in 2003, whereas the share of intermediate imports decreased from 64.5% to 60.5% respectively.

This structure is quite different from the structure of Polish exports, in which the share of investment goods amounts to slightly over 11%, whereas intermediate goods to 55.4%. The large share of consumer goods – over 33% in 2003 should be pointed out.

Table 6. Directions of imports in the years 1999–2003

Specification	1999	2002	2003	Change in % 2002 = 100	Average growth rate in 1999–2002	Import structure in %	
						1999	2003
Total imports	45 911,0	55 113,0	68 004,0	123,4	106,3	100,0	100,0
corrected:							
by a drop of USD value (by ca 11% on average)			*61 264,9*	*111,2*			
and by a rise in oil and gas prices in 2003			*60 341,9*	*109,5*			
Intermediate and investment imports	36 500,0	43 237,0	53 917,0	124,7	105,9	79,5	79,3
corrected:							
by a drop of USD value (by ca 10% on average)			*48 854,6*	*113,0*			*79,7*
and by a rise in oil and gas prices in 2003			*47 931,6*	*110,9*			*79,4*
of which:							
Investment imports	6 933,0	10 569,0	12 755,0	120,7	115,8	15,2	18,8
by a drop of USD value (by ca 15% on average)			*11 091,3*	*104,9*			*18,1*
Intermediate imports	29 567,0	32 668,0	41 162,0	126,0	103,4	64,5	60,5
corrected:							
by a drop of USD value (by ca 9%)			*37 763,3*	*115,6*			*61,6*
and by a rise in oil and gas prices in 2003			*36 840,3*	*112,8*			*61,1*
changes in oil and gas prices over 1998	306,0	1 687,0	2 610,0				
changes in oil and gas prices over 2002			923,0				
oil and gas imports	2 456,0	4 090,0	5 082,0				
raw material imports in USD			6 000,0				
Consumer imports	9 320,0	11 828,0	14 040,0	118,7	108,4	20,3	20,7
corrected by a drop of USD value (by ca 13%)			*12 424,8*	*105,0*			

Source: Foreign Trade Data Centre.

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